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**Susan Frank**

Vice President and Chief Regulatory Officer  
Regulatory Affairs

BY COURIER

April 20, 2009

Ms. Kirsten Walli  
Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON.  
M4P 1E4

Dear Ms. Walli:

**EB-2009-0096 – Hydro One Networks' 2010 and 2011 Distribution Rate Application – Hydro One Networks' Density Study**

In a letter to the Board dated February 11, 2009 Hydro One Networks Inc. ("Hydro One") advised the Ontario Energy Board (the "Board") of its intent to file a cost of service Application for 2010 and 2011 electricity distribution rates (EB-2009-0096).

As part of the preparations for its current Application, on April 15, 2009 Hydro One held a stakeholder session to discuss the Board's direction in their Decision on Hydro One's last Distribution Application (EB-2007-0681). The Board directed Hydro One to develop a benchmarking approach that will provide definitive information respecting Hydro One's relative efficiency in the vegetation management area of operations, as well as to provide a more detailed analysis on the relationship between density and cost allocation.

Ten stakeholders attended the April 15<sup>th</sup> session and provided valuable feedback to assist Hydro One in shaping the evidence for its current Application. With respect to assessing the relationship between density and cost allocation, the majority of stakeholders felt Hydro One should proceed first with establishing the principles that could guide the definition of density based rate classes and establishing the factors that drive the relationship between density and cost allocation. The participant from FOCA suggested Hydro One simply maintain the status quo approach to density given all the current issues that will impact customers' rates, while the participant from SEC felt Hydro One should proceed immediately to carry out a detailed evaluation of how costs vary in response to customer density.

Hydro One believes the view expressed by the majority of stakeholders is the prudent course of action at this time. Until such time as the guiding principles and density cost drivers are established, it is inappropriate to proceed to detailed analysis.

Hydro One noted during this session its concern with making changes to the current rate classes and cost allocation methodology at this time, given the following:

- Hydro One is still in the middle of the 4 year Harmonization plan approved by the Board in its last Decision
- The increasing pressure on rates driven by work related to the Smart Network and Distributed Generation connections (Green Energy and Green Economy Act)
- Direction provided in the OEB staff discussion paper entitled "Rate Classification for Electricity Distribution Customers" on eliminating density-related customer classification

Therefore, Hydro One believes a staged approach to addressing the Board direction is a reasonable way to proceed that avoids making disruptive, and possibly unnecessary, changes to the current rate design.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

- c:
- Mr. Jay Shepherd, School Energy Coalition (SEC)
  - Mr. Wayne Clark, Association of Major Power Consumers of Ontario (AMPCO)
  - Mr. Bill Harper, Vulnerable Energy Consumers Coalition (VECC)
  - Mr. David MacIntosh, Energy Probe
  - Mr. Peter Faye, Energy Probe
  - Mr. John McGee, Federation of Ontario Cottagers' Associations (FOCA)
  - Ms. Judy Kwik, Power Workers' Union (PWU)
  - Mr. John T. Armstrong, Rogers Cable
  - Mr. Colin McLorg, Toronto Hydro
  - Mr. Harold Thiessen, Ontario Energy Board (OEB)